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ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Transformation of the Committee on Food Aid Policies and Programmes into the Executive Board of the World Food Programme

Note by the Secretary-General

The Secretary-General has the honour to transmit to the Economic and Social Council the attached letter dated 18 December 1995 addressed to him from the Executive Director of the World Food Programme (WFP). The Secretary-General has reviewed the letter and, as requested by the Executive Director, submits it to the Council for its consideration.

The attachments to the letter - the report of the Formal Working Group of the Committee on Food Aid Policies and Programmes on options for resource policies and long-term financing of WFP and the relevant sections of the report of the Committee on its fortieth session - will be submitted to the Council as an addendum to the present note.

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Annex

LETTER DATED 18 DECEMBER 1995 FROM THE EXECUTIVE DIRECTOR OF THE WORLD FOOD PROGRAMME TO THE SECRETARY-GENERAL

At its fortieth session in November 1995, the Committee on Food Aid Policies and Programmes (CFA) took decisions designed to place the resource base and long-term financing of the World Food Programme (WFP) on a more sound and predictable basis. Because these changes involve important policy dimensions, I am writing to ask that you submit the proposals concerning the new model to be applied on a trial basis to the Economic and Social Council for its consideration.

The World Food Programme has been doing a good job for many years. It has grown from a small experimental programme of $100 million over three years to an internationally recognized relief and development agency with a biennial turnover of about $3 billion. It now handles more than 3 million metric tonnes of food per year. Increasingly, however, WFP has been facing difficulty in securing the necessary mix of cash, commodities and services to enable it to continue to deliver high quality operations. This situation was exacerbated by the upsurge of complex emergency humanitarian operations that emerged in the late 1980s and sadly continues today. Some of the complicating elements include the practice of donors increasingly tying and designating their funding to particular operations or target populations, which has resulted in a loss of flexibility; the scope for, and willingness of, donors to support emergency operations with funding drawn from line items additional to those in their traditional development assistance budget, a practice that has often involved necessarily different accountability and reporting requirements; and the effort to use scarce resources in the most effective manner - for example, using food aid to save lives in emergency humanitarian situations but to do so in as developmentally relevant a way as possible.

Historically, WFP has depended on the development component of its activities for most of its cash resources. In the late 1980s more than two thirds of its resources supported food-assisted development projects. Emergency operations accounted for the rest. Today, this balance has been reversed, with more than two tonnes in three delivered supporting emergency humanitarian operations. This shift in the balance of activities seriously eroded the capacity of the development component to generate sufficient funds to meet the administrative costs of the Programme. There was increasing evidence that WFP had insufficient cash for it to strike a proper balance between the demands for high quality operations, in both its development and humanitarian assistance work, the requirement to consistently meet higher standards of accountability in a transparent way, and the programme support and administrative budget needed for the task.

This led to the search for new ways to finance the Programme. At its thirty-eighth session, in December 1994, CFA reaffirmed that WFP faced serious problems in the field of finances which demanded urgent attention. The WFP financial management systems required strengthening and improvement. Measures were also needed to ensure that WFP programme support and administrative costs

were covered on the basis of full cost recovery. The Committee also agreed that WFP should have a more sound and predictable resource base, while preserving and strengthening its multilateral character. Moreover, it agreed that WFP should, in principle, have the flexibility to allocate resources within the different categories of operations (development activities; feeding of longer-term refugees and displaced people; and emergency operations) according to assessed need. In addition, the Committee considered that the WFP resource base should be broadened by seeking additional donors and that the Programme needed to ensure that it retained the capacity to draw on different line items of donors' budgets. Maintaining the status quo was not considered an acceptable alternative to restructuring the Programme's financing and resourcing procedures for the long term.

Accordingly, CFA decided to establish a formal working group on options for WFP resource policies and long-term financing. Participation in the Working Group was open to all States members of the Programme and to the observer for the European Community. The Group was to present a progress report at the thirty-ninth session in May 1995 and a full report at the fortieth session of CFA. The Chairman of CFA was subsequently elected Chairman of the Working Group and there was wide and active participation in all of the meetings of the Group by both the members of CFA and observers. The relevant decisions taken by the Committee at its thirty-eighth session were included in its twentieth report to the Economic and Social Council and the FAO Council. The report was before the Economic and Social Council at its substantive session of 1995 (see E/1995/96) and the FAO Council at its 108th session.

At the thirty-ninth session of CFA, it was agreed that new mechanisms were required in order to achieve a clearer relationship between funding windows and specific WFP activities, and that these mechanisms should achieve full cost recovery. At the fortieth session, the Working Group reported that it had reached agreement on changes for restructuring WFP resource policies and long-term financing. A summary of those recommendations is contained in paragraph 23 of the report of the Working Group.

The Working Group recommended, among other things, that CFA request the WFP secretariat to prepare any necessary changes in the WFP General and Financial Regulations and submit them, through its governing body, to the appropriate bodies for consideration and approval. In the interim, the Group recommended that the secretariat should be requested to implement the new model on a trial basis, commencing 1 January 1996 (see para. 23 (l) of the report of the Working Group). CFA endorsed those recommendations (see paras. 14-22 of the report of the Committee on its fortieth session).

The WFP secretariat is preparing a revised draft of the Financial Regulations, which it will present for the advice of the Advisory Committee on Administrative and Budgetary Questions and of the FAO Finance Committee, and thereafter to the WFP Executive Board. The Advisory Committee and the FAO Finance Committee were informed, both in the documentation and during the proceedings, that the 1996-1997 programme support and administrative budget had been prepared in a way that could accommodate new financing procedures.

At its thirty-eighth session CFA instructed the secretariat that the strategic and financial plan and budget for 1996-1997, though prepared on the basis of the current procedures, should allow for changes in the longer-term arrangements for financing WFP. Expeditious action by the Economic and Social Council will allow the trial period effectively to coincide with the biennial budget period 1996-1997 and will facilitate the review of the working of the new model and its associated policies at the conclusion of the first biennium of operation.

The new model for placing the financing of WFP on a sound and predictable basis has been developed by the membership, working with the WFP secretariat, through an arrangement decided upon by the members of CFA. I would be grateful if you could arrange for this important new approach to the financing of WFP, a voluntarily funded programme, to be submitted to the Economic and Social Council for consideration. Until such time as the Economic and Social Council and the FAO Council review the proposals, the new resourcing mechanisms will not be formally implemented.

(Signed) Catherine BERTINI